

Water and Light Advisory Board  
June 1, 2010

A meeting of the Water and Light Advisory Board was held Tuesday, June 1, 2010 at 8:00 a.m. at the Utility Services Conference Room, 105 E. Ash St. The meeting was attended by:

John Conway, Chair  
Tom O'Connor, Member  
Bob Roper, Member  
Dick Parker, Member  
Tom Baumgardner, Member – Excused  
Mike Schmitz, Interim Water and Light Director  
Ryan Williams, Assistant Director  
Jim Windsor, Manager of Rates and Fiscal Planning  
Dave Storvick, Acting Engineering Manager - Water  
Tad Johnsen, Power Production Superintendent  
Tony Cunningham, Acting Electric Distribution Manager  
Marilyn Thorpe, Administrative Support Supervisor  
Stephanie Brown, Administrative Support Assistant  
Tracy Frevert, Administrative Support Assistant

Win Colwill, League of Women Voters

**APPROVAL FOR THE MAY 4, 2010 MEETING MINUTES**

The May 4, 2010 meeting minutes were approved by voice vote on a motion by Dick Parker and a second by Bob Roper.

**DIRECTOR'S REPORT**

a) Advancing Renewables Energy Conference – Mike Schmitz said the Advancing Renewables Conference, that Water and Light underwrites, has been rescheduled for July 15, 2010 and will be held on the University of Missouri (MU) campus. He said the conference will cost Water and Light approximately \$3,000.00. He added that MU and registration fees cover the other expenses. Mr. Conway encouraged others to attend.

b) Window Air Conditioner (AC) Exchange Program – Mr. Schmitz said the utility has partnered with Central Missouri Community Action (CMCA) and Boone Electric for the past four years to provide window air conditioners to low income Water and Light customers in exchange for the removal of the old inefficient units. This fiscal year, 125 window air conditioners were provided. Home Depot was awarded the bid from the City for the units with a cost of \$20,926.25 for 125 units. Distribution will begin June 4, 2010. CMCA will help select the recipients. The old units are recycled. Mr. Parker was pleased that the quantity of units offered has increased. He also expressed concern that some customers that need units are overlooked because of the exchange requirement of the program. Mr. Schmitz added that the program's purpose is to upgrade the efficiency of Water and Light customers' units. Mr. Roper wanted to make sure the budget is tracked. Mr. Schmitz said \$25,000.00 is budgeted each year for this program through the Energy Star program.

**FINANCIAL REPORT**

a) Financial Update – Jim Windsor said Cash and Marketable Securities had increased over \$5 million from last month. He will check with the Finance Department as to the reason. Mr. Schmitz said the Finance Department is concerned that Operating Revenue for electric has decreased over \$4 million. A meeting between staff and the Finance Department has been scheduled for later this week to discuss the issue. Mr.

Windsor explained that there is really no problem because we had budgeted for a \$6 million loss, due to temporary, unusual circumstances for the month of April. He said overall the utility is doing well.

b) The Board received the monthly financial statements ending April 30, 2010.

Water and Electric Utility combined operations reflect an operating loss of \$419,177 for the seven months ended April 30, 2010; compared to an operating income of \$2,238,385 for the same period last year. This is a decrease of \$2,657,562.

The Water Utility has an operating income of \$607,345 for the seven months ended April 30, 2010; compared to an operating loss of \$1,072,314 for the same period last year. This is an increase of \$1,679,659 in operating income.

The Electric Utility has an operating loss of \$1,026,522 for the seven months ended April 30, 2010; compared to an operating income of \$3,310,699 for the same period last year. This is a decrease in operating income of \$4,337,221.

Operating revenues of the Electric Utility are up \$2,541,882 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$6,394,863. Fuel and Purchased power costs have increased \$4,866,903.

### **CHAIRMAN'S REPORT**

John Conway said the process of selecting the new Water and Light Director is progressing. Mr. Schmitz is scheduled to retire July 9, 2010. Mr. Conway thanked Mr. Schmitz for stepping up as Interim Director.

### **NEW BUSINESS**

a) Hinkson Creek Bank Stabilization Report – Mr. Schmitz said Hinkson Creek is eroding from the 36-inch main and the stability has become a concern. Staff reviewed two options – bank stability and installing a new main. Stabilization is the favored option. Mr. Schmitz said the U.S. Army Corps of Engineers has funds available for this project and will cover 65% of the cost, leaving 35% to the City. The City's portion will be around \$50,000.00.

b) Mr. Schmitz said the Federal Energy Regulatory Commission (FERC) has authorized the purchase of the Columbia Energy Center. Once the interconnection agreement amendment is finalized there will be a signing ceremony toward the middle of June. Payment has not yet been made for the Columbia Energy Center.

c) Cost-of-Service Analysis – Mr. Windsor prepared a report explaining the Cost-of-Service Analysis. The study performed by Virchow-Krause, in 2007, was also provided. Mr. Windsor explained that this method allocates the revenue requirements of the utility among the various customer classes and the classified costs of functions performed by the utility are allocated to each customer class. The analysis is performed every time a rate increase occurs depending on the size and variation in class difference. He added that we have always used this method. There are other generally accepted methods to allocate costs, and Water and Light uses a Peak Responsibility method. Mr. Windsor said that some costs, such as capacity or transmission/distribution system, are included in the kWh charge for residential and small commercial customers. Mr. Schmitz added that we do not charge for meters because we can recoup that fee quickly. Discussion continued on the methodology of cost-of-service. Mr. O'Connor recommended that staff continue to review customer classes. Mr. Schmitz offered the Board a report on whatever information was needed. Once Council reviews the budget, he will report to the Board the information obtained.

## **OLD BUSINESS**

a) 24 Inch Transmission Main Report – Dave Storvick said there were two public open house workshops regarding the 24 inch transmission main. There was no public opposition. There were three selected alternative routes and staff will present the preferred one to Council in a Public Hearing on June 21, 2010 with the first read on June 7, 2010. The preferred route will go from Nifong Boulevard to the west side of Lemone Industrial Boulevard, across Maguire Boulevard to Shepard Water Tower, then to Hamony Branch and to the outer road of I-70. Mr. Schmitz would like the Board to recommend that Council go with the staff preferred route. Mr. Parker stated that he was hesitant to endorse this route with minimal information. Mr. Schmitz said the routes have been reviewed during the Long Range Water Study. Mr. Conway said the memo summarizes the plan along with the workshops. Further discussion continued. Mr. O'Connor made a motion to support staff's recommendation to the Council for the preferred route of the 24 inch main. Mr. Roper made a second to the motion. The motion received three ayes and one sustained.

b) Renewables Request for Proposals (RFP) – Mr. Schmitz said there were three responses to the renewables RFP. Two were chosen for consideration – Iberdrola and Outland. During the evaluation of these two offers, Associated Electric (AECI) provided an offer to supply more wind energy from the Bluegrass Ridge Wind Farm. Mr. Schmitz said AECI would provide a short term five year contract for surplus wind energy. He said this offer does not provide diversity on transmission. If there is a problem with the Bluegrass Ridge Wind Farm, of which we currently are receiving wind energy from, we would still be required to pay transmission costs. Ryan Williams said if we backup wind energy with the Columbia Energy Center, it could possibly drive up the cost. Mr. Windsor suggested that if the utility did overbuy renewable energy, the Board should consider banking it for future requirements or selling renewable credits to reduce costs. Mr. Schmitz said at this time staff cannot recommend any of the renewable options. He recommended issuing RFPs for renewables on a regular basis to see what is available. Mr. Schmitz said the three percent cap on rate increases to meet the renewable requirements will need to be defined. Staff will provide a clarification of the ordinance for the renewable requirements at the next meeting.

The Board would like to continue receiving hard copies of information as well as emails.

Mr. Schmitz said currently there is no impact from the oil spills.

Mr. Conway said he would like to have Barbara Buffaloe, the City's Sustainability Director give a presentation of her views to the Board.

The second water treatment workshop will be on June 9, 2010 at Water and Light Administration in the Energy Management Conference Room.

Next meeting date: Tuesday, July 6, 2010 at 8 a.m. in the Utility Services Conference Room, 105 E. Ash St., Columbia, MO.

The meeting adjourned at 9:40 a.m.

Respectfully submitted,